

Message Text

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51

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 AGR-05 SP-02 AID-05

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 L-02 H-02 /098 W

----- 070499

R 021220Z APR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7846

INFO AMEMBASSY BONN

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: EFIN, IBRD, IN

SUBJ: DEBT RESCHEDULING AND THE AID TO INDIA CONSORTIUM

REF: STATE 066345

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1. ECONOMIC COUNSELOR AND FINANCIAL ATTACHE MADE POINTS

ON U.S. POSITION ON DEBT RESCHEDULING FOR INDIA CONTAINED
REFTEL TO V. N. RAJAPALAN WHO IS ACTING FOR SHROFF AS
MOF OFFICER IN CHARGE OF INDIAN RELATIONS WITH THE BANK AND
FUND FOLLOWING SHROFF'S DEPARTURE FOR WASHINGTON LAST MONTH.
WE HAVE NOT MADE SIMILAR PRESENTATION TO FOREIGN MINISTRY
SINCE QUESTIONS OF THIS TYPE ARE HANDLED SOLELY BY MOF.

2. IN MAKING PRESENTATION, EMBOFFS STRESSED INCREASING
DOMESTIC POLITICAL PROBLEMS CAUSED FOR U.S. EXECUTIVE BRANCH
BY ANNUAL RESCHEDULING OF INDIA'S DEBTS IN THE ABSENCE OF
A DEFAULT OR IMMINENT DEFAULT SITUATION. WE SAID THAT USG
IS NOT OPPOSED TO DEBT RESCHEDULING BY OTHER MEMBERS OF THE
CONSORTIUM, BUT THAT U.S. PARTICIPATION POSES VERY SIGNIFICANT
PROBLEMS FOR U.S. AS SUCH IT IS A MATTER OF PRINCIPLE AND
NOT ONE OF THE AMOUNT OF DEBT RESCHEDULING THE U.S. WOULD
BE PREPARED TO AGREE TO. WE STATED THAT WE ASSUMED GOI AGREED
THAT THE IMPRRTANT THING IS THE TOTAL MULTILATERAL SIZE OF
THE INDIAN ASSISTANCE PACKAGE AND THE QUALITY REINTRODUCED
THE FREE FOREIGN EXCHANGE CONCEPT FIRST ADVANCED BY THE
WORLD BANK IN 1974, MODIFIED SLIGHTLY TO INCLUDE FOOD AND
FERTILIZER AID AS FORMS OF FREE FOREIGN EXCHANGE.

3. RAJAGOPALAN MAINLY LISTENED TO OUR PRESENTATION. HOWEVER, HE
DID SAY THAT GOI HAD REVIEWED DEBT RESCHEDULING WITH OTHER
MAJOR DONORS. SEVERAL OTHER DONORS (U.K. AND GERMANY WERE
MENTIONED) HAD SAID THEY WOULD CONTINUE TO GRANT DEBT RE-
SCHEDULING WITHIN THE CONSORTIUM FRAMEWORK EVEN IF THE
U.S. DID NOT AND INSTEAD CHOSE AN ALTERNATE FORM THROUGH WHICH
TO PROVIDE FREE FOREIGN EXCHANGE.

4. COMMENT: RAJAGOPALAN DID NOT APPEAR SURPRISED BY THE USG
POSITION. HE APPEARED TO ACCEPT OUR CONTENTION THAT DOMESTIC
U.S. ISSUES, RATHER THAN BILATERAL RELATIONS, HAD DETERMINED THE
U.S. POSITION.

5. IT IS DIFFICULT TO JUDGE WHETHER RAJAGOPALAN'S CALM AND
MATTER OF FACT APPROACH REFLECTS A NEW GOI POSITION OR
SIMPLY IS A RESULT OF A WORKING LEVEL OFFICIAL'S ATTEMPT TO
MAKE THE BEST OF THE SITUATION. HE DID STATE THAT THE GOI
WOULD WISH TO DISCUSS DEBT RESCHEDULING WITH SECRETARY SIMON,
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THOUGH HE GAVE NO INDICATIONS WHAT GOI POSITION WOULD BE.

6. WE WOULD LIKE TO HOPE THAT THIS POTENTIALLY HIGHLY TROUB-
LESOME ISSUE HAS GONE AWAY BUT ARE FAR FRIM SURE WHETHER THIS
IS THE CASE. EFFECTIVE LEADERSHIP BY THE WORLD BANK AND WILL-
INGNESS OF THREE PRINCIPAL COUNTRIES (U.K., GERMANY, AND JAPAN)
TO CONTINUE DEBT RESCHEDULING WOULD GO A LONG WAY TOWARD
ACHIEVING OUR GOAL OF U.S. NON-PARTICIPATION IN DEBT RES-

CHEDULING WHILE PERMITTING OTHERS TO CONTINUE. HOWEVER, IT
IS POSSIBLE THAT POLITICAL LEVELS OF THE GOI WILL STILL VIEW
USG NON-PARTICIPATION AS POLITICALLY MOTIVATED. IN THIS
CONNECTION SECRETARY SIMON'S VISIT IS OF MAJOR IMPORTANCE
AND IT WOULD CERTAINLY BE HELPFUL IF SUBSTANTIVE COMMENTS
ON BRITISH, GERMAN AND JAPANESE ATTITUDES COULD BE OBTAINED
PRIOR TO HIS ARRIVAL IN NEW DELHI ON APRIL 15.

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